



# COUNTY OF LOS ANGELES

## DEPARTMENT OF HUMAN RESOURCES

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**MICHAEL J. HENRY**  
DIRECTOR OF PERSONNEL

November 8, 2005

To: Each Supervisor

From: Michael J. Henry, Director of Personnel  
Department of Human Resources

Jon Fullinwider, Chief Information Officer  
Chief Information Office

Dave Lambertson, Director  
Internal Services Department

J. Tyler McCauley, Auditor-Controller  
Office of Auditor-Controller

Subject: **ENTERPRISE E-LEARNING SUITE PROCUREMENT ISSUES**

This is in response to the memo from Supervisors Molina and Burke, dated September 6, 2005, regarding the Enterprise E-Learning Suite Procurement Issues. There were two broad areas to address: the procurement process and general program issues. The Auditor-Controller was asked to review the procurement process. The report is attached and indicates that we were in compliance with standard purchasing practices.

### **General Program Issues – Program Background**

In 2003, the Department of Health Services, Public Health Programs (DHS) received a grant from the federal government to implement a training system. At the same time, the County Strategic Plan included an objective to develop a Countywide Learning Management System.

It would not have made sense for DHS and the rest of the County to implement different training systems; therefore, a Countywide committee was established to develop Countywide (including DHS) training requirements. ISD's Purchasing organization was asked to handle the solicitation for this system. The evaluation committee consisted of staff from a variety of departments, and the solicitation was structured in a manner to provide the County pricing information both for a DHS-only and a Countywide implementation. This was important because, in accordance with grant requirements, DHS needed to acquire the system by August 2004. THINQ (subsequently purchased by SABA) won this solicitation and the purchase orders for the DHS implementation of the system were issued in June 2004. Around that same time, a County Steering Committee was established to determine how to roll the system out Countywide, including the identification of funding.

The Board Letter, dated August 2, 2005, was merely for the purpose of approving the allocation of funding (i.e., an ITF Grant) for the off-the-shelf software package and related implementation services in order to implement the Countywide Enterprise E-Learning System.

The vendor originally selected to supply the enterprise system, THINQ Learning Solutions (THINQ), was acquired by Saba Software (Saba) in May 2005. Saba notified the County E-Learning Steering Committee that they will abide by all terms, conditions and pricing offered by THINQ. They offered the County the option of using the THINQ product, fully supported by Saba but with a planned obsolescence of two years, or migrating to the Saba product right now. The E-Learning Steering Committee determined that the best course of action was to move forward with the Countywide implementation of the Saba product based on the following factors:

- A multi-departmental review of the Saba product, using the same evaluation script used in the RFP process, found it to be superior to the THINQ product;
- Their agreement to abide by all previous terms, conditions and pricing offered by THINQ;
- Saba's high rating by the independent information technology research firm, The Gartner Group.

### **Questions**

The following is in response to the general questions contained in the September 6, 2005 memo.

#### **Question #1:**

*The scope of work for the RFP states that "annual software maintenance will be provided", as well as "training county staff on the application, use and general maintenance of the E-Learning Suite". However, the Board letter indicated that "maintenance cost for this project will be allocated across all County Departments" and appears to not be included in this contract amount. In addition, the vendor selection report stated that the Professional Services bid amount "does not include training". Are the training services included in this contract?*

#### **Response:**

##### Annual Maintenance

Annual maintenance costs were included both in the vendor's proposal and in the ITF Grant Request. The maintenance costs included in the grant are \$53,970 – discounted vendor maintenance costs for the first year. Starting in Fiscal Year 2006-07, full-year maintenance costs and other County support costs (e.g., DHR, ISD, hosting of the application, etc.) will be allocated to County departments. Attached is a chart listing these costs and the distribution to departments (Attachment I). As is the case with all software applications, there are one-time costs (e.g., purchases of licenses) and ongoing annual costs (e.g., software maintenance). We were requesting Board approval to use the ITF funding for the one-time costs and first year maintenance.

##### Training

Training services are included in the vendor's proposal and in the ITF Grant Request.

#### **Question #2:**

*Why did it take 18 months from when the RFP was issued to when it is finally brought before the Board?*

#### **Response:**

The request to the Board in August of 2005 was not for an RFP; it was a request to fund the Countywide Learning Management initiative. The vendor selection process was actually completed in June 2004. The thirteen months between vendor selection and the ITF funding request were primarily spent developing a Countywide roll out strategy and managing the issues stemming from the purchase of THINQ (the selected product) by Saba.

Attached is a chronology of events describing some of the major activities and milestones (Attachment II).

**Question #3:**

*For what services and supplies will the \$1,403,102 be used. Please provide a breakdown of all costs.*

**Response:**

Attached is a breakdown of the licenses and services that will be financed by the ITF funds (Attachment III). They include:

• Software licenses	\$784,500
• First year maintenance services	\$ 53,970
• Professional technical implementation services	\$304,650
• Hosting services	<u>\$260,000</u>
	\$ 1,403,120

**Question #4:**

*The Board letter stated that "Phase I of the implementation leveraged Bio-Terrorism Grant Funding received by DHS."*

- a. *What was Phase I, and why did it qualify for Bio-Terrorism funding?*

**Response:**

Phase I was the initial purchase and installation of 5000 licenses for DHS Public Health Programs (DHS). In August 2003, DHS received a grant (CDC Award No. U90/CCU917012-04) to implement a Bio-Terrorism Preparedness Program. The grant stipulated that they must use part of the funding to implement a training management system to track and deploy training.

- b. *Which entity was awarded the contract for Phase I? Did it also go through a competitive process?*

**Response:**

There was only one solicitation process. It covered both DHS and Countywide requirements.

A Countywide committee was established to develop Countywide (including DHS) training requirements. ISD's Purchasing organization was asked to handle the solicitation for this system. The evaluation committee consisted of staff from a variety of departments and the solicitation was structured in a manner to provide the County pricing information both for a DHS-only and a Countywide implementation.

So far, purchase orders have only been issued (in 2004) for DHS' implementation of the system. Purchase Orders for expanding the system Countywide will not be issued until such time as the ITF funding request is approved.

As explained previously, THINQ Learning Solutions was selected as the system in June 2004 as the result of the RFP issued in February 2004. THINQ was purchased by Saba Software in May 2005.

- c. *Are we in Phase II, and what does that entail?*

**Response:**

Upon Board approval of the ITF grant funding, a purchase order to acquire an enterprise (Countywide) license will be issued to SABA. It is anticipated that services will be ordered through the County's Information Technology Services Master Agreement (ITSSMA) process.

The Countywide implementation schedule has been established to bring up departments on a phase-in basis over a two-year period. Basic activities to be completed include planning, testing, training, and rollout. A chart detailing rollout activities is attached (Attachment IV).

- d. *Why were at least two Board offices told that if this were not approved immediately, Bio-Terrorism funds would be impacted?*

**Response:**

At the time we briefed the specific Board offices, a member of the team echoed the concerns voiced by DHS Public Health Programs. They do need to continue their rollout of a learning management system. The system can be THINQ, or the Saba system recommended for Countywide rollout.

As stated earlier, the grant awarded to DHS stipulated that part of the funding must be used to implement a learning management system. The CDC approved plans for the acquisition, installation, and staff rollout of an LMS, with the proviso that the system must be purchased and installed by August 30, 2004. The deadline for acquisition and installation has been met.

After learning of the Saba acquisition and their plans to abandon the THINQ product within two years, rollout of the system within DHS was limited to central training administrators. This was done to minimize overall migration and re-training costs if a move to a new system was deemed necessary. We have determined that Saba Learning, the primary and future system for the combined companies, will meet the needs of DHS and the rest of the County. Plans to migrate the existing THINQ installation are included in the planned purchase of the Saba enterprise license.

If the Board chooses not to approve the purchase of an enterprise license, DHS could continue the rollout of the THINQ product. Alternatively, at their request, ISD could work with the department to substitute the Saba product for the THINQ product for Public Health only. The department is awaiting the decision on the Countywide solution prior to making final decisions on how they will proceed with their implementation.

While there is no urgency for the Board to approve the purchase of this system, many departments have identified a need to acquire a system in their own departments, as reflected by the number participating in the design of specifications for this system. These departments have been advised that we are pursuing the acquisition of an enterprise solution to standardize the system for the County. They have been advised to suspend any efforts to acquire and implement systems within their departments until such time that the Board makes a decision on the approval of funding to proceed with a County solution. Should the Board approve the purchase of the enterprise license, installation of the recommended software will be expanded throughout the rest of Health Services, including King/Drew Medical Center whose independent need for a system has recently surfaced, and all other County departments in accordance with the implementation plan.

- e. *What is the total scope of the Enterprise eLearning Suite Implementation, and what is the total cost? From where will funding for all phases be allocated?*

**Response:**

The costs for DHS were \$1,174,120 and were funded by a grant from the CDC. The detail of the costs is as follows:

Software Licenses	\$303,593
Support Services	163,385
Implementation Services and Training	173,400
Application Hosting	102,330
ISD Project Management	300,149
<u>Hardware</u>	<u>131,263</u>
<b>Total</b>	<b>\$1,174,120</b>

To rollout the system Countywide, one-time implementation costs are \$1,403,120. We are asking The Board to approve the allocation of ITF funding for this purpose. The detail of the costs is as follows:

Software Licenses	\$784,500
First Year Maintenance	53,970
Implementation Services and Training	304,650
<u>First Year Application Hosting</u>	<u>260,000</u>
<b>Total</b>	<b>\$1,403,120</b>

Once the system is up, there will be ongoing (annual) costs of \$766,212. The costs will be revenue offset through departmental billing (subject to CAO approval). The detail of the costs is as follows:

Application Hosting	260,000
DHR Support	115,000
ISD Support	250,002
<u>Software Maintenance</u>	<u>141,210</u>
<b>Total</b>	<b>\$766,212</b>

The ongoing costs will be allocated to departments starting in FY 2006-07.

- f. *For every 5,000 licenses that must be purchased, will the County go through the same RFP process?*

**Response:**

No. When we did the solicitation, it was based on Countywide requirements. The amount we requested in ITF funds was for use of the system Countywide. Having a single enterprise system was included in the County Strategic Plan. A single system provides the County with a number of advantages, including:

- o Significant initial purchase price breaks and lower ongoing maintenance costs due to the economies of scale
- o Shared information between departments for emergency preparedness initiatives
- o Efficient mass delivery of training media and materials

**Question #5:**

*Why did representatives from various departments meet with Virtual University for product demonstrations, not once, but twice, speak with them on numerous occasions, and request and check references, after the proposal submittal time was closed and the contract not yet awarded?*

**Response:**

Virtual University Systems (VUS) did not respond to the RFP released in February 2004. In November 2004, VUS representatives approached the CIO asking to demonstrate their product. Representatives from CIO and DHR met with VUS as a professional courtesy and for research purposes.

**Following is a chronology of meetings that various County staff had with Virtual University Systems.**

November 2004 – CIO met with Virtual University Systems and received information on their product. **When asked by CIO why they did not respond to the RFP released in February, they responded that they had only begun marketing the product in October 2004.**

December 2004 - DHR was asked by a manager within the Sheriff's Department to meet with a training vendor, DLMC, marketing their product. DHR was initially under the impression that DLMC was a content development vendor. However, at that meeting it was determined that the product was a learning management system, and that DLMC was also known as Virtual University Systems. They provided DHR with information on their product. **They were notified that the County had already completed a solicitation process for an enterprise solution and had selected a vendor.**

January 2005 – CIO voiced their concern that the cost of the enterprise solution proposed by THINQ was high. They asked if a smaller, less expensive company could do the job, as VUS had indicated it had an implementation with the State of Arizona. DHR contacted the person heading the State of Arizona Enterprise E-Learning initiative about the installation. **She stated that she was unaware of any VUS implementation within the organization.**

May 2005 – CIO invited DHR and others to a dual purpose demonstration. Representatives from Cerritos College demonstrated custom content they had developed on Information Security. The content was demonstrated using Virtual University Systems' equipment and software to see how it handled and integrated outside content. Their demonstration was to serve as support of their claim that they can provide everything the larger, more established vendors can. At the end of the meeting, CIO asked DHR to have members of the Implementation Team review the VUS product and determine the major differences with the selected vendor's system, if any.

A week later, representatives from DHR, ISD, and DHS Public Health Programs met with VUS. These individuals attended the meeting because of their experience with the Phase I implementation and their knowledge of the County's E-Learning requirements. VUS was asked to cite examples of large scale implementations similar to the one planned for the County. They provided none. The examples they gave us were of smaller companies with fewer employees and usage not comparable to the County's needs.

VUS demonstrated various facets of their system. After the demonstration, the representatives present concluded that it lacked many of the features required by the various departments. The group then reported the results of their review to CIO and ISD, and further validated the County selection of the THINQ product.

**Question #6:**

*An e-mail from a staffer at DHS made reference to the "recently purchased THINQ system". Has this system been in fact purchased and is this coming to the Board retroactively?*

**Response:**

As stated above, the DHS Public Health Programs system was acquired through a purchase order contract executed by the ISD Purchasing Agent in June 2004, order # 31048576. The system was not purchased retroactively.

JF:MJH  
DL:JTM:sb

Attachments

c: David E. Janssen, Chief Administrative Office  
Jonathan E. Fielding, M.D., Director of Public Health and Health Officer

**COUNTYWIDE E-LEARNING SUITE PROJECT**  
**DEPARTMENTAL ALLOCATION OF ANNUAL MAINTENANCE**

<b>GENERAL FUND DEPARTMENTS</b>	<b>FY 04-05 Budgeted Positions</b>	<b>Allocation</b>	<b>Application Hosting Costs</b>	<b>ISD Support Costs</b>	<b>DHR Support Costs</b>	<b>Software Maintenance Costs</b>	<b>Projected Total Costs</b>
ADMINISTRATIVE OFFICER	428.0	0.46%	\$ 260,000.00	\$ 250,002.00	\$ 115,000.00	\$ 141,210.00	\$ 766,212.00
AFFIRMATIVE ACTION COMPLIANCE	61.0	0.07%	\$ 1,196	\$ 1,150	\$ 529	\$ 650	\$ 3,525
AGRICULTURAL COMMISSIONER/WEIGHTS AND MEASURES	340.0	0.37%	182	175	81	99	537
ALTERNATE PUBLIC DEFENDER	235.0	0.25%	962	925	426	522	2,835
ANIMAL CARE AND CONTROL	275.0	0.30%	650	625	288	353	1,916
ASSESSOR	275.0	0.30%	780	750	345	424	2,299
AUDITOR-CONTROLLER	1,515.0	1.64%	4,264	4,100	1,886	2,316	12,566
BEACHES AND HARBORS	437.0	0.47%	1,222	1,175	541	664	3,602
BOARD OF SUPERVISORS	222.0	0.24%	624	600	276	339	1,839
CHIEF INFORMATION OFFICER	319.0	0.35%	910	875	403	494	2,682
CHILD SUPPORT SERVICES DEPARTMENT	16.0	0.02%	52	50	23	28	153
CHILDREN AND FAMILY SERVICES	1,856.0	2.01%	5,226	5,025	2,312	2,838	15,401
COMMUNITY AND SENIOR SERVICES	6,164.0	6.68%	17,368	16,700	7,682	9,433	51,183
CONSUMER AFFAIRS	537.0	0.58%	1,508	1,450	667	819	4,444
CORONER	45.0	0.05%	130	125	58	71	384
COUNTY COUNSEL	218.0	0.24%	624	600	276	339	1,839
DISTRICT ATTORNEY	534.0	0.58%	1,508	1,450	667	819	4,444
FIRE DEPARTMENT	2,065.0	2.24%	5,824	5,600	2,576	3,163	17,163
HEALTH SERVICES	4,085.0	4.43%	11,518	11,075	5,095	6,256	33,944
HUMAN RELATIONS COMMISSION	24,302.6	26.34%	68,484	65,852	30,282	37,195	201,813
HUMAN RESOURCES	19.0	0.02%	52	50	23	28	153
INTERNAL SERVICES	245.0	0.27%	702	675	311	381	2,069
MENTAL HEALTH	2,307.0	2.50%	6,500	6,250	2,875	3,530	19,155
MILITARY AND VETERANS AFFAIRS	2,851.6	3.09%	8,034	7,725	3,554	4,363	23,676
MUSEUM OF ART	25.5	0.03%	78	75	35	42	230
MUSEUM OF NATURAL HISTORY	48.0	0.05%	130	125	58	71	384
OFFICE OF PUBLIC SAFETY	42.0	0.05%	130	125	58	71	384
OMBUDSMAN	620.0	0.67%	1,742	1,675	771	946	5,134
PARKS AND RECREATION	9.0	0.01%	26	25	12	14	77
PROBATION	1,161.0	1.26%	3,276	3,150	1,449	1,779	9,654
PUBLIC DEFENDER	5,029.0	5.45%	14,170	13,625	6,268	7,696	41,759
PUBLIC LIBRARY	1,015.0	1.10%	2,860	2,750	1,265	1,553	8,428
PUBLIC SOCIAL SERVICES	870.1	0.94%	2,444	2,350	1,081	1,327	7,202
PUBLIC WORKS	13,330.0	14.45%	37,570	36,125	16,618	20,405	110,718
REGIONAL PLANNING	3,964.0	4.30%	11,180	10,750	4,945	6,072	32,947
REGISTRAR-RECORDER/COUNTY CLERK	130.0	0.14%	364	350	161	198	1,073
SHERIFF	866.0	0.94%	2,444	2,350	1,081	1,327	7,202
TREASURER AND TAX COLLECTOR	15,530.0	16.83%	43,758	42,075	19,355	23,766	128,954
<b>TOTAL</b>	<b>539.0</b>	<b>0.58%</b>	<b>\$ 260,000</b>	<b>\$ 250,002</b>	<b>\$ 115,000</b>	<b>\$ 141,210</b>	<b>\$ 766,212</b>

**ENTERPRISE E-LEARNING SUITE PROJECT**

**CHRONOLOGY – Vendor Selection and Subsequent Steps**

- February 2004 – ISD released the Request for Proposals to the public.
- February 19, 2004 – Mandatory Proposers' Conference.
- March 11, 2004 – Deadline for vendors to submit proposals to ISD Purchasing. Six vendors responded. The LMS Evaluation Team is formed and begins work.
- March 30 – 31, 2004 - Vendor Product Demonstrations.
- April 26, 2004 – The Evaluation Committee, comprised of representatives from DHR, DHS, CIO, Sheriff, Public Works, and ISD completes the evaluation. The Vendor Selection Report is sent to the Interim Director/Purchasing Agent. ISD Purchasing begins contract negotiations with the winning vendor, THINQ Learning Solutions.
- July 2004 – Negotiations are completed. The Purchasing Agent issues a purchase order contract in the amount of \$581,208. Because it is a purchase order contract, Board notification is not required.
- August 2004 – The vendor implements the system for DHS Public Health Programs, meeting the Centers for Disease Control and Prevention (CDC) grant deadline.
- October 2004 – The costs for enterprise implementation was reviewed with department heads. The Steering Committee was instructed to provide options to reduce overall implementation and maintenance costs.
- January 2005 – The vendor is asked to provide lower cost options for implementation.
- March 2005 – The vendor provides a reduced quote that will become the basis for the ITF Grant Request. Within a week after the quote is produced, it is announced that Saba Software will purchase THINQ Learning Solutions. We are notified that the current THINQ product will be obsolete within two years, and that the Saba system will be the go-forward product. We are given the option of continuing to rollout THINQ, or to begin implementation of the Saba product at no extra cost.
- May 2005 – Saba completes the purchase of THINQ. The County meets with Saba to ensure that they will meet all commitments previously proposed and negotiated by THINQ. Saba states that all previous agreements are still valid.
- June 13, 2005 – DHR applies for an ITF Grant and receives an award pending approval by the Board of Supervisors.
- August 2, 2005 – A Board letter for the project is submitted to the Board, but is returned.



## ENTERPRISE E-LEARNING SUITE PROJECT

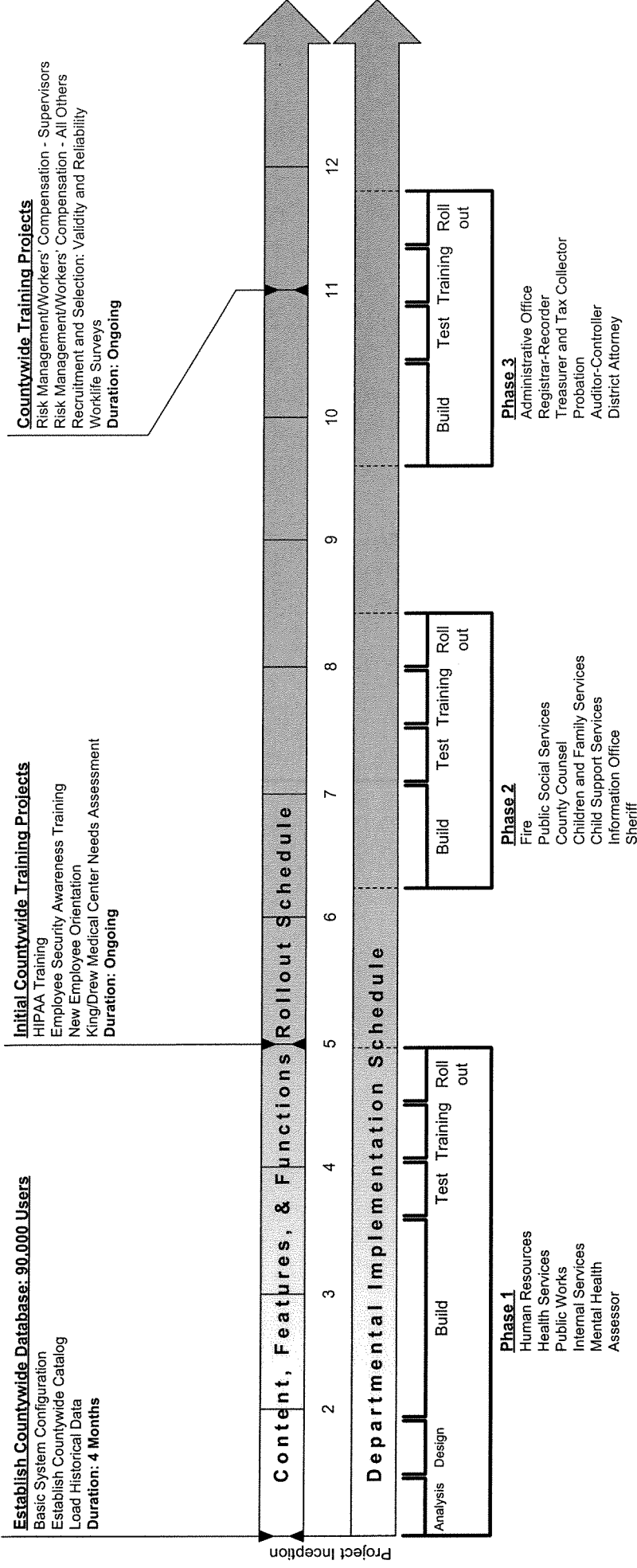
## ITF Grant Cost Breakdown

Item	Pricing
<b>Software Licenses</b>	
Saba Learning, Certification Management, Learning Commerce, and Virtual Learning Environment Connectors: A one-time cost to upgrade from 5,500 Named User Licenses to an Unlimited Perpetual-Use Enterprise License for County employees and partners.	\$727,000
Centra Symposium Virtual Classroom: Expansion from 25 to 50 Concurrent Users (\$1,411 each)	35,275
Centra Knowledge Center Content Management: Expansion from 25 to 50 Concurrent Users (\$889 each)	22,225
Authoring Tools:	
Centra Knowledge Composer Pro	0
Centra Knowledge Composer for PowerPoint	0
Centra Knowledge Composer for Simulations	0
<b>Total Software Licenses</b>	<b>\$784,500</b>
<b>Support Services</b>	
First Year Saba Maintenance and Technical Support, all products	\$43,620
First Year Centra Maintenance and Technical Support, all products	10,350
<b>Total Support Services</b>	<b>\$53,970</b>
<b>Vendor Professional Services</b>	
Saba Implementation Services: Planning, Analysis, Design, Build, Testing, Training, Rollout	\$211,950
Centra Implementation Services: Analysis, Installation/Configuration, Testing, Training, Rollout	92,700
Application Hosting	260,000
<b>Total Vendor Professional Services</b>	<b>\$564,650</b>
<b>Total Funding Requested</b>	<b>\$1,403,120</b>

# Countywide E-Learning Suite Project Rollout: Year 1

Attachment IV

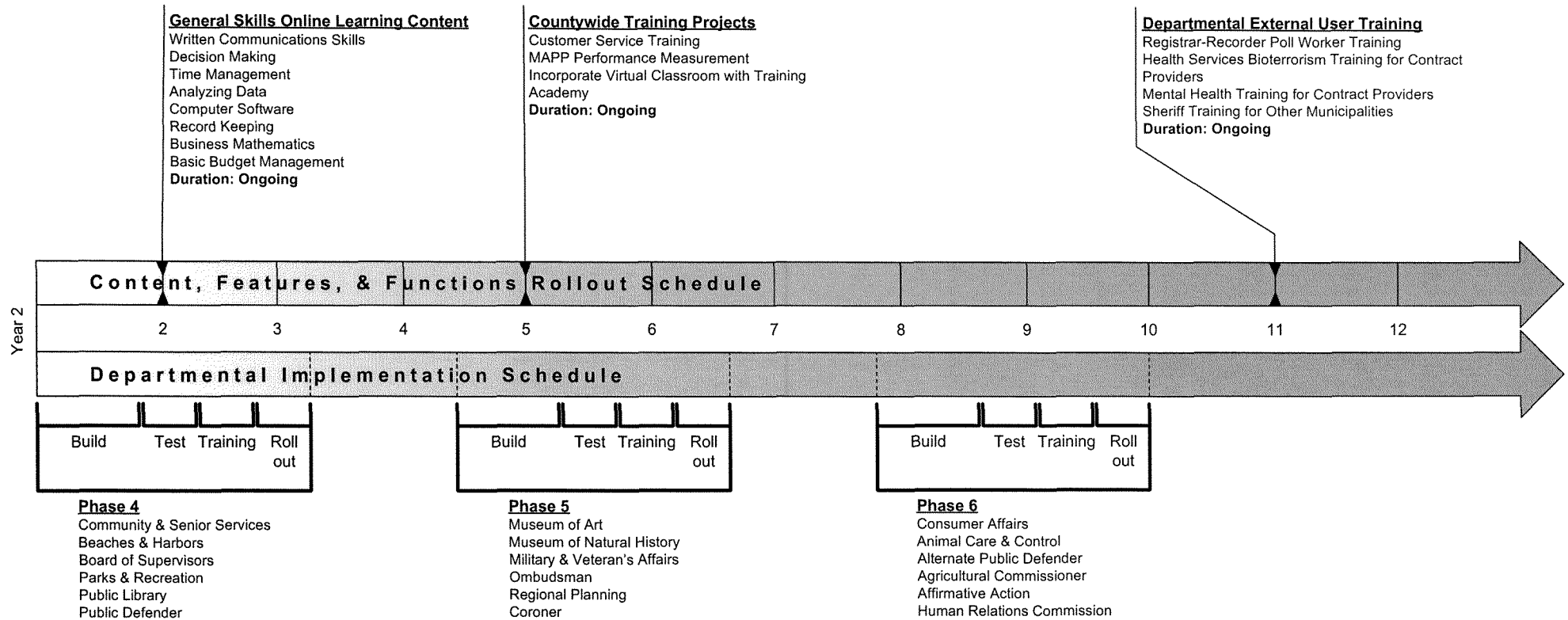
Monday, July 11, 2005



# Countywide E-Learning Suite Project Rollout: Year 2

Attachment IV

Monday, July 11, 2005

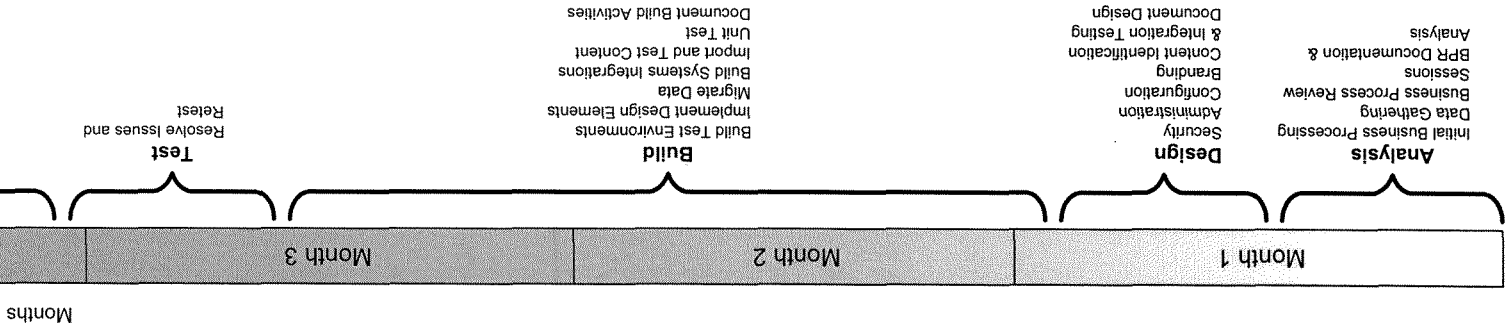


# Countywide E-Learning Suite Project Rollout: Phase Details

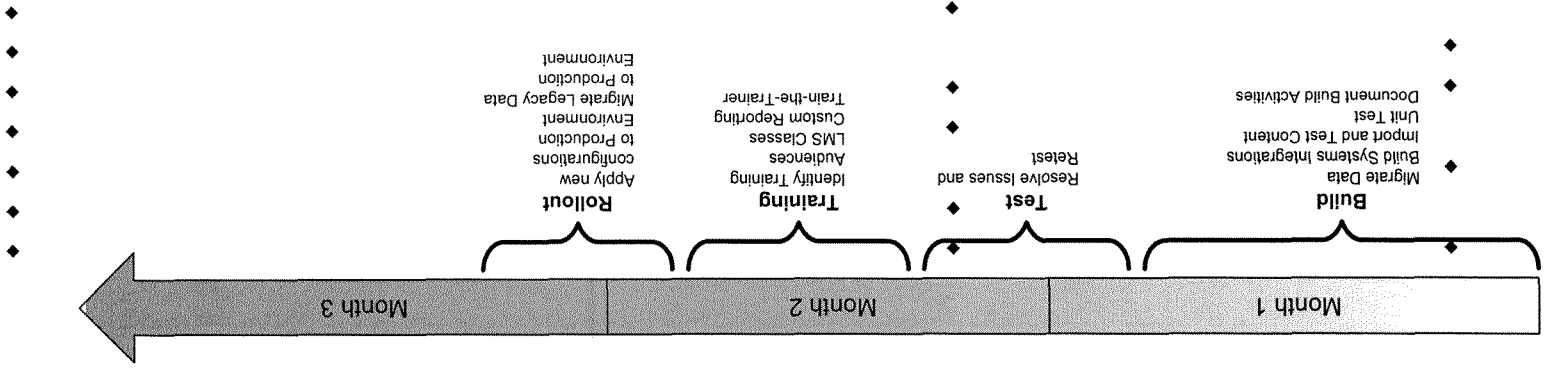
Monday, July 11, 2005

Attachment IV

## Phase 1



## Phases 2 - 6





J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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November 7, 2005

TO: Supervisor Gloria Molina, Chair  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **REVIEW OF ENTERPRISE E-LEARNING SUITE PROCUREMENT  
PROCESS – BOARD SPECIAL #05-046**

On September 6, 2005, the First and Second Supervisorial Districts requested the Auditor-Controller (A-C) to conduct a comprehensive review of the Enterprise E-Learning Suite procurement process in order to evaluate issues related to the Request For Proposals (RFP) process, and report back to the Board with any findings and recommendations. Specifically, it was requested that the A-C evaluate: (1) the appropriateness of rating an unsolicited proposal after the expiration deadline for submission of proposals and bids; (2) the efficiency and timeliness of multiple departments preparing and executing an RFP through a single RFP process; (3) whether the most cost-effective bidder was selected; and (4) expand on an earlier Board motion regarding the development of a policy to address situations wherein a successful proposer is being merged with or acquired by another firm.

The request also included six specific questions for the departments which were directly involved in the RFP, evaluation and procurement processes. Those questions will be addressed by the involved departments under separate cover.

**Summary and Conclusions**

Overall, we found the RFP process to be consistent with other such proposal processes that have been used throughout the County. We also found that it is clearly inappropriate to rate unsolicited proposals from potential bidders after a deadline for the submission of proposals has expired, although this was not an issue during this RFP process, inasmuch as Virtual University did not submit a proposal. In addition, we found that for a project of E-Learning's scope (Countywide) and complexity, and to ensure that

the requirements of participating departments were met, it was both reasonable and necessary to include representatives from each end user throughout the RFP process. We also found that the process used to evaluate the proposals was generally consistent with requirements stated in the Internal Services Department (ISD) Services Contracting Manual. Specifically, we found that the evaluation criteria were relevant, reasonable, and applied in an unbiased and consistent manner to all vendors. The evaluation criteria were also appropriately disclosed to the bidders as required.

We found that the overall cost negotiated by the Project Team for Countywide implementation, which includes application hosting, is less than the original bid amount from THINQ, and includes transition of existing THINQ licenses to the newer SABA platform. Based on the evaluation of SABA's E-Learning Suite performed by the Project Team, which we found to be comprehensive, the SABA product appears to be superior in most respects, particularly since it is being offered at the same cost as the originally purchased THINQ product and has the advantage of continuing software development and support. The THINQ product will eventually become obsolete because of the SABA merger, and would otherwise leave the County with an orphan system that may not be compatible with emerging technologies.

In addition, based on ISD estimates, it appears that vendor rather than County hosting will substantially reduce the initial cost of E-Learning Suite implementation, saving approximately \$831,000 in the first year and avoiding continuing costs of approximately \$286,000 in subsequent years. Furthermore, given the scale of the planned implementation (Countywide) and the fact that participating departments will use the E-Learning Suite for various purposes, there is substantial uncertainty as to what the actual infrastructure and support requirements will be. Therefore, it is reasonable that the County leverage SABA's infrastructure for initial implementation to determine baseline demand for hardware and support.

Although SABA verbally agreed to honor the terms of the agreement the County negotiated with THINQ, SABA did not provide these assurances in writing. We recommended that the Department of Human Resources (DHR) and DHS management obtain written assurances from SABA that they will honor the E-Learning Suite proposal submitted by THINQ, the three-year service and maintenance agreement associated with the 5,000 THINQ licenses already purchased, and the migration of those licenses to the SABA product.

Furthermore, although ISD's avoidable costs were based on estimates, it appears that the negotiated costs and terms agreed to by SABA for initial implementation of an E-Learning Suite are reasonable and the hosting function provided by the vendor will benefit the County since it lowers the County's start-up and ongoing operating and maintenance costs.

Finally, as noted in our review, The CAO, County Counsel and CIO are in the process of developing, for the Board's approval, a policy addressing mergers and acquisitions of

companies that are in the process of bidding and negotiating an Information Technology contract.

We reviewed our report with representatives from DHR, DHS and ISD on November 2, 2005. They generally agreed with our findings and have begun implementing our recommendations. We thank the managers and staff responsible for this RFP for their cooperation and assistance in completing our review.

JTM:MR:RC:mc  
M-2005-05-046-A.doc

Attachment

c: David E. Janssen, Chief Administrative Officer  
Violet Varona-Lukens, Executive Officer, Board of Supervisors  
Michael J. Henry, Director, Department of Human Resources  
Dave Lambertson, Director, Internal Services Department  
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**Department of Human Resources  
Review of Enterprise E-Learning Suite Procurement Process**

**Background**

On February 28, 2002, the Centers for Disease Control and Prevention (CDC) awarded supplemental grant funding to the Department of Health Services, Public Health Program (DHS) to support public health preparedness and incident response to bioterrorism threats by implementing a Learning Management System (LMS) to record, manage and report training information, and also to serve as a gateway to on-line training. CDC's grant terms stipulate that project funds must be encumbered within one fiscal year, and spent by the end of CDC's second fiscal year, requiring an August 30, 2004 implementation date for the LMS.

In December 2002, the Department of Human Resources (DHR) began pursuing the development of an LMS and web-based learning system as part of the County's Strategic Plan. On May 21, 2003, DHR, in partnership with the Chief Information Office (CIO), surveyed County departments to determine their interest in an LMS and invited knowledgeable individuals to participate as members of a Project Team in developing specifications and the selection of an LMS for Countywide use.

In August 2003, DHS asked the Internal Services Department (ISD) to oversee the process of selecting and procuring an LMS to meet CDC's grant funding requirements. During the same period, DHR learned about DHS' LMS project from the CIO. Ultimately, 12 County departments formed an LMS Functional Requirements Working Team (Project Team) to pursue a Countywide LMS solution. During the specification development phase, the Project Team determined that an LMS only comprised one portion of a more comprehensive solution known as an E-Learning Suite, and the project scope and name were changed accordingly.

In February 2004, ISD issued RFP No. 214498 for Comprehensive E-Learning Suite Software and Services, and in June 2004, THINQ Learning Solutions (THINQ) was selected as the County standard. To meet DHS' Bioterrorism grant funding deadline, ISD issued a purchase order to acquire 5,000 licenses for DHS in June 2004, which were installed by the August 30, 2004 deadline.

In May 2005, THINQ was acquired by SABA in a corporate merger. SABA subsequently informed the County that they would only continue to support existing installations of the THINQ product purchased by the County for two years, and would not develop or deploy future versions. To address County concerns regarding software obsolescence and the availability of future support, SABA offered to upgrade the County's existing software licenses and convert all current users to the SABA product.

SABA's E-Learning software was then evaluated using the same matrix and criteria as was applied to the THINQ product, and was found to be superior in functionality and interface. SABA management verbally agreed to meet the contract terms negotiated by THINQ. To fund the E-Learning Suite, the CIO submitted a request for \$1,403,120 in Information Technology Funds (ITF) to the Board for approval on August 2, 2005.



### **Scope**

The purpose of our review was to evaluate four specific issues: (1) the appropriateness of rating an unsolicited proposal after the expiration deadline for submission of proposals and bids; (2) the efficiency and timeliness of multiple departments preparing and executing an RFP through a single RFP process; (3) whether the most cost-effective bidder was selected; and (4) expand on an earlier Board motion regarding the development of a policy to address situations wherein a successful proposer is being merged with or acquired by another firm. In addition, we were requested to conduct a comprehensive review of the RFP and procurement processes for the County's Enterprise E-Learning Suite to ensure that the process was objective and consistent with applicable policies, and to review the overall effectiveness of the terms and conditions negotiated as part of the proposed purchase. To determine whether the RFP and bid evaluation processes were consistent with County policy and provided an objective basis for evaluation, staff from the A-C's Office of County Investigations (OCI) reviewed the rating instruments and associated criteria used in this evaluation. OCI staff also consulted with County Counsel and ISD procurement staff and recalculated scores awarded by the evaluation team for a sample of individual bids to determine their accuracy.

OCI staff also examined the RFP and associated amendments and reviewed correspondence from bidders to determine whether minimum mandatory requirements were clearly stated, and if questions were appropriately addressed by the Project Team. Lastly, OCI interviewed DHS, DHR and ISD managers and staff responsible for various aspects of the RFP and bid evaluation processes.

### **Findings and Conclusions**

#### **RFP Process**

Sections 4.1.1 and 4.3 of the ISD Contracting Manual specify that an RFP must describe the scope of services required, and disclose both the selection process and evaluation criteria to bidders. In addition, the evaluation process and rating criteria should conform to the RFP service requirements and be designed as objectively as possible to measure a proposal's compliance with the rating criteria.

The evaluation process for this RFP consisted of three phases:

- Phase I was an evaluation of each proposal to determine whether they included the required documents/information, and whether each proposer met 32 pass/fail criteria in the RFP. Failure to meet phase one requirements automatically disqualified proposers from further consideration.
- Phase II consisted of an evaluation, completed by a committee of 11 individuals representing six departments, to score the contents of each proposal based on how each application addressed specific criteria described in the RFP. Each qualifying proposer was awarded a consensus score based on this evaluation.

- Phase III consisted of a product demonstration/evaluation and oral presentations by the highest scoring proposers from Phase II. These proposers were then asked to demonstrate their respective products, based on a detailed matrix of performance expectations and functionality developed by the evaluation committee. This evaluation was designed to mimic, in a test environment, many of the fundamental and necessary transactions and functionality that would be required of a production E-Learning system operating within the County's information technology infrastructure.

Overall, we found the RFP process to be consistent with other proposal processes that have been used throughout the County. The committee responsible for developing this RFP appropriately obtained input from stakeholders during the development process, including from several client departments and ISD, and we found the resulting technical requirements to be reasonable. We also found that the process used to evaluate the proposals was generally consistent with the ISD Services Contracting Manual. Specifically, we found that the evaluation criteria were generally relevant, reasonable, and applied in an unbiased and consistent manner to all proposals. The evaluation criteria were also appropriately disclosed to the bidders, as required.

### **Specific Issues**

#### **Issue 1**

Evaluate the appropriateness of rating an unsolicited proposal from a potential vendor after the deadline for submission of proposals and bids had expired.

#### **Finding**

Virtual University System (VUS), also known as Digital Learning Management Corporation, did not participate in the formal RFP process. After the March 11, 2004, deadline for the submission of proposals had expired, VUS management initiated contact with the County to market their LMS. VUS twice demonstrated their product; the first demonstration was conducted in conjunction with a demonstration of an Information Technology Online Security Course; and the second was a demonstration structured to mirror the product demonstrations performed in March 2004 by the proposers to the initial E-Learning Suite RFP. Selected members of the Project Team compared VUS' system with THINQ'S system and determined VUS' product was inadequate for Countywide deployment.

According to ISD purchasing staff, meeting with vendors offering similar or comparable commodities and services after a solicitation has been completed is not unusual or inappropriate, particularly when the commodities are subject to rapidly changing technologies such as computer hardware and software, and often occurs as a courtesy to the vendor. In addition, we found no evidence that ISD purchasing staff reopened or solicited additional proposals from vendors, including VUS.

Since the introduction of an E-Learning Suite had Countywide implications, the Project Team members interviewed by us stated that they believed it was in the best interest of

the County for members of the Project Team to meet with Virtual University's management to satisfy themselves that a potentially superior system had not been overlooked. Some individuals also told us they met with VUS at the request of the CIO.

## **Conclusion**

While it is clearly inappropriate to rate unsolicited proposals from a potential vendor after a deadline for the submission of proposals has expired, this was not an issue during this RFP process, inasmuch as VUS did not submit a proposal. The fact that they failed to comply with the RFP requirements (submitting a timely proposal) appropriately excluded them from consideration. In addition, there is no indication that members of the Project Team acted inappropriately by meeting with VUS representatives or informally reviewing their LMS since the Project Team's review was not held-out to constitute part of the official RFP or selection process. Such informal meetings with vendor representatives are not unusual and keep County managers informed about new products and technologies.

## **Issue 2**

Determine the efficiency and timeliness of preparing and executing the RFP with the involvement of multiple departments, e.g. DHR, DHS, ISD, and CIO, through a single RFP process.

## **Finding**

In an attempt to determine the efficiency and timeliness of multiple departments participating in this RFP process, we interviewed members from the Project Team, reviewed documents related to this RFP process, and project timelines indicating the various milestones in the specification and RFP phases. We noted that the entire process spanned a 32 month period; beginning in December 2002, when DHR began pursuing a Countywide LMS as part of the County's Strategic Plan, to August 2, 2005, when the CIO requested the Board to approve \$1.4 million in ITF funds.

We noted that 18 months elapsed from the project's inception to DHS' initial purchase of 5,000 licenses in June 2004. During this phase, since each participating department had different needs/uses for the proposed system, it was necessary to form a Project Team with members from multiple departments who would employ a methodical and comprehensive process to ensure the acquisition of the most appropriate E-Learning system for Countywide implementation by:

- Developing criteria to ensure Countywide system compatibility and performance.
- Identifying the participating departments' needs and specifying system requirements based on those needs.
- Identifying and researching the industry leaders.

- Evaluating the various systems through interviews, product demonstrations, and the formal RFP evaluation process.

However, during DHS's deployment of THINQ's system in the fall/winter of 2004, DHS began to experience technical difficulties, which resulted in delaying implementation of the system by approximately four months. In addition, in early 2005, THINQ representatives notified the Project Team that SABA was acquiring THINQ and that SABA would only support the THINQ software for two years. The delays created by LMS technical difficulties, notification of SABA's acquisition of THINQ, additional product demonstrations and evaluation of the SABA software, and negotiations with SABA effectively halted DHS' deployment of the E-Learning Suite.

## **Conclusion**

For a project of E-Learning's scope (Countywide) and complexity, it is important that the needs of each department are addressed, and to perform a thorough analysis and review of functional and technical requirements prior to formulating an RFP. Consequently, it was necessary to include representatives from each end user throughout the RFP process. Although, there were some unanticipated delays when DHS experienced technical difficulties during the initial deployment of THINQ's E-Learning system, and as a result of SABA's acquisition of THINQ, we believe the overall 32 month timeframe, and specifically the 14 month period between the initial license purchase and the CIO's request to the Board for ITF funds, was both prudent and reasonable.

## **Issue 3**

Determine whether the most cost-effective bidder was selected, taking into account subsequent maintenance, operation and training costs.

## **Finding**

We reviewed bid packages, cost estimates, and related documents and data submitted by each of the four qualifying bidders. We also examined rating instruments and criteria used to evaluate the proposals, and reviewed the LMS/E-Learning Suite planning, specification and RFP process. In addition, we interviewed managers from ISD, DHR and DHS who were responsible for the evaluation of proposals, product selection, and procurement and implementation of the E-Learning Suite.

According to Project Overview documents prepared by ISD, THINQ received the highest overall point score, which was based on five factors: Corporate Experience and Capabilities (10%), Approach and Discussion of the Statement of Work (30%), Functional and Technical Requirements (30%), References (5%), and Cost (25%). The RFP requested bids for two implementation scenarios – 5,000 licenses, and Countywide implementation, with the County assuming responsibility for hosting the application and providing the hardware and corresponding personnel in both scenarios. Although, for the cost component, THINQ was the second lowest bidder for the 5,000 licenses and

the second highest bidder for the Countywide application, THINQ had the highest evaluated software to meet the County's needs.

After the initial purchase order was issued to THINQ for the initial 5,000 licenses, the Project Team's Steering Committee addressed the costs associated with hosting the E-Learning Suite Countywide. As a result, the County renegotiated the terms of THINQ's original bid, including having THINQ host most components of the E-Learning Suite. The following table summarizes the results of that negotiation.

ITEM DESCRIPTION	ORIGINAL BID	AFTER NEGOTIATIONS
LICENSES – COUNTYWIDE FOR CORE SYSTEM	\$1,250,000	\$727,000
LICENSES FOR CENTRAL VIRTUAL CLASSROOM (25 CONCURRENT USERS/SEATS*)	575,000	57,500 <sup>1</sup>
*IN ADDITION TO THE 25 SEATS INITIALLY PURCHASED BY DHS		
CENTRA – VIRTUAL CLASSROOM LCMS	32,775	0
CENTRA – AUTHORING TOOLS	8,050	0
CENTRA – MAINTENANCE	124,476	0
SOFTWARE MAINTENANCE (3 YRS) AND LMS ADAPTER (API TOOLKIT)	256,555	53,970
PROFESSIONAL SERVICES AND TRAINING	373,000	304,650
HOSTING OF APPLICATION	NOT REQUESTED	260,000
<b>TOTAL</b>	<b>\$2,619,856</b>	<b>\$1,403,120</b>

<sup>1</sup> The cost of the Centra Virtual Classroom was not negotiated from \$575,000 to \$57,500. Rather, this change represents a reduction in the initial number of concurrent users from the quantity originally requested for the Countywide implementation.

## Conclusion

To the extent that the renegotiated cost, which included vendor hosting, resulted in a lower cost to the County, it appears that the Project Team negotiated effective terms and conditions with THINQ (later SABA). However, because the hosting requirement was not included as a deliverable until after THINQ was awarded the purchase order, there was no comparable pricing information provided by other bidders, which made it impossible to compare costs.

## Issue 4

Determine the overall effectiveness of the terms and conditions negotiated as part of the proposed contract with THINQ (now SABA) under this Board letter.

## Finding

The money requested from the Information Technology Fund (ITF) totaling \$1.4 million is for "Perpetual prepaid Licenses," which are licenses purchased and owned by the County. The ITF money is expected to cover the cost of the initial roll-out of the E-Learning Suite including software licenses and first year maintenance and hosting. Maintenance and hosting costs for the second and third years would be allocated among user departments based on budgeted positions.

Based on cost estimates provided by ISD, it appears that the vendor hosting will substantially reduce the initial cost of E-Learning Suite implementation, saving approximately \$836,000 in the first year and avoiding continuing costs of \$286,000 per year in subsequent years. Given the scale of the planned implementation (Countywide) and the fact that participating departments will use the E-Learning Suite for various purposes based on the composition of their workforce and strategic training objectives, there is some uncertainty as to what the actual infrastructure and support requirements will be. Therefore, it is reasonable that the County decided to leverage THINQ's infrastructure for initial implementation to establish a baseline demand for hardware and support.

After SABA acquired THINQ in May of 2005, they verbally agreed to the terms and conditions the County negotiated with THINQ. The Project Team subsequently performed an extensive evaluation of SABA's E-Learning Suite. Based on their evaluation, it appears that the SABA product is superior to the THINQ product in most respects and represents a better value for the County since it has the advantage of continuing software development and support. Since SABA intends to discontinue support of The THINQ product after two years, it will eventually become obsolete, leaving the County with an orphan system that may not be compatible with emerging technologies. However, it should be noted that SABA intends to upgrade the 5,000 THINQ licenses to their software.

During our review, we requested ISD provide documentation to support their estimated avoidable personnel and hardware costs. However, purchasing staff indicated that their avoidable costs were estimates based on other projects they have hosted, rather than actual costs for this project, since there is uncertainty as to what actual costs will be.

## **Conclusion**

Although ISD's avoidable costs were based on estimates, it appears that the negotiated costs and terms agreed to by SABA for initial implementation of an E-Learning Suite are reasonable and the hosting function provided by the vendor will benefit the County since it lowers the County's start-up and ongoing operating and maintenance costs.

## **Issue 5**

Expand on Supervisor Molina's related earlier motion for recommendations on developing a policy to address situations wherein a successful proposer is being recommended for final approval by the Board and the recommended proposer has been merged into a successor entity.

## **Finding**

On July 19, 2005, the Board directed the CAO, County Counsel, and the CIO to report back within 60 days with a policy for evaluating companies that are in the process of bidding and negotiating an Information Technology contract, which are being merged with or acquired by another firm. According to their October 14, 2005 status report to the Board, they anticipate submitting a proposed policy for the Board's approval in

November 2005. CAO management informed us that a “holistic” approach to the Board’s directive was being pursued, which will include both a pre- and post-contract policy. However, we could not obtain any specifics as to the policy proposal since it was still being formulated at the time of this report.

In the RFP process at issue here, the winning proposer (THINQ) was subsequently acquired by SABA in a corporate merger. To determine whether there were any existing policies or procedures to address mergers and acquisitions (M & A) of existing or prospective vendors, and if such policies were applied in this case, we interviewed managers and staff from DHR, DHS, CIO, and ISD and reviewed relevant documents.

According to purchasing staff at ISD, vendor M & A’s are not uncommon, and the typical procedure is to obtain a written agreement from the successor entity wherein the company agrees to meet the existing and/or proposed terms as previously negotiated and agreed with the County. However, in this instance SABA has not provided written assurances that they will honor the terms and conditions negotiated with THINQ, and the upgrading of DHS’ 5,000 software licenses. ISD management stated that it was unnecessary to receive written assurances from SABA honoring the agreed upon terms in THINQ’s proposal since they would be enumerated in a written purchase order requiring a signed acceptance by SABA.

### **Conclusion**

The CAO, County Counsel and CIO are in the process of developing, for the Board’s approval, a policy addressing mergers and acquisitions of companies that are in the process of bidding and negotiating an Information Technology contract.

We recommended to DHR and DHS management that they obtain written assurances from SABA that they will honor the agreed upon terms and conditions negotiated after SABA’s acquisition of THINQ.